Who's Propping Up Israel's Economy—and How: Trade, Energy, Capital, and Community in 2024–2025

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Contrary to the impression of uniform isolation, Israel's economy is being sustained by identifiable pillars of external support—each with its own mechanism and measurable footprint. First, long-standing trade frameworks remain in force, most notably the U.S.–Israel Free Trade Agreement (1985), which still underpins bilateral goods flows. Second, the UAE–Israel CEPA lowers or removes tariffs on the vast majority of lines and opens services access—a post-Abraham Accords channel that continues to carry billions in goods even amid regional turbulence. Third, India has moved to de-risk capital with a new bilateral investment treaty (Sept. 8, 2025), signaling durable interest from one of Israel's fastest-growing partners. Energy exports add a fourth pillar: pipeline gas sales to Egypt and Jordan climbed in 2024, and a record ~$35 billion Leviathan–Egypt deal plus the Nitzana pipeline expansion will further entrench cash flows and regional interdependence. A fifth pillar is multinational tech investment—from NVIDIA's planned multibillion-dollar campus expansion to Google's Tel Aviv cloud region, which independent analysis estimates will add billions to GDP over the decade. Finally, finance and civil society matter: U.S. state and local treasuries have bought ~$1.7 billion in Israel Bonds since Oct. 2023, total global Israel Bonds sales top $5.5 billion, and Jewish Federations have raised ~$900 million for relief and recovery. This paper maps those supports, explains their mechanics, and flags the indicators that would strengthen—or unravel—them.

Keywords: Israel economy, economic support, U.S.–Israel FTA, UAE–Israel CEPA, Abraham Accords, India–Israel bilateral investment treaty, natural gas exports, Leviathan field, Nitzana pipeline, NVIDIA investment, Google Cloud Tel Aviv, Israel Bonds, diaspora philanthropy, UK–Israel trade, trade policy, FDI, energy security, emergency aid, tourism, Birthright Israel.

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Executive Summary

Even amid geopolitical headwinds and reputational shocks, Israel's economy remains tied into a network of demand, capital and technology channels that is broader than the daily headlines suggest. We frame these as six practical "pillars" of external support. Each has different drivers and risk profiles, but together they continue to move trade, energy, investment and know-how. The picture is not static: Europe is actively weighing trade penalties, Red Sea disruptions have hammered the Eilat corridor, and sovereign ratings remain under a negative cloud. At the same time, gas export capacity is set to rise, India has just signed an investment-protection pact, Gulf market access is locked in by treaty, and multinationals are still committing real footprint and cloud infrastructure. Diaspora finance and philanthropy add flexible, fast-moving support alongside a tentative tourism rebound. The next 18–24 months will be defined by whether de-escalation unlocks the upside in these channels faster than politics and security risks compress them.

Snapshot: the six pillars & top-line metrics

1. **U.S. trade & finance**
   • Goods trade flows remain large: Jan–Jul 2025 U.S. exports to Israel were **$8.3B** and imports **$12.1B**. Census.gov
   • Diaspora/state financing remains material: **>$5.5B** in global Israel Bonds sales since Oct 2023; **~$1.7B** bought by U.S. states & localities. ICIJ+3Israel Bonds+3Israel Bonds+3
   • Market access intact: Israel raised **$5B** in Feb 2025 international sovereign bonds. Reuters+1

2. **Gulf normalization (UAE)**
   • **CEPA in force**: tariff cuts/elim. on **>96%** of tariff lines covering **~99%** of trade value. Ministry of Education+1
   • Goods trade **2021–2024 totaled ~$6.4B** (UN Comtrade). ORF Middle East
   • Sentiment headwind: Gaza war cooled new deal-making though trade continues. Reuters

3. **India (investment & markets)**
   • **Bilateral Investment Treaty signed Sept 8, 2025**, improving legal protection for cross-border investors. Reuters+2Yahoo Finance+2

4. **Regional energy buyers (Egypt & Jordan)**
   • **Gas exports up 13.4% in 2024**; Leviathan partners pursuing major expansion. Reuters+1
   • **$35B Leviathan–Egypt** supply deal through 2040 plus new **Nitzana** pipeline (≈**600 mmcfd**; >**2.2 bcf/d** total export capacity to Egypt when online). Reuters+1

5. **Multinationals & cloud infrastructure**
   • **NVIDIA** plans a large expansion; Israeli headcount reported around **5,000** and growing. Reuters+1
   • **Google Cloud (me-west1/Tel Aviv)** live; estimated **$7.6B** cumulative GDP impact by 2030 and **~21k jobs** in 2030. Google Cloud+1
6. **U.K. trade ties**
   • Existing **UK–Israel Trade & Partnership Agreement** remains in force; **£3.3B** UK exports to Israel in the four quarters to Q1 2025. GOV.UK+1
   • **Upgrade talks suspended (May 2025)**—a policy risk to watch. AP News

Cross-cutting support: U.S. Jewish federations have raised **~$897M** since Oct 2023; **Birthright** resumed summer 2025 trips with thousands of participants—both bolster civil society and travel pipelines. RNS+1

Key risks (through 2026)

- **EU trade measures:** The European Commission has **proposed suspending tariff preferences** on Israeli goods (≈€5.8B exposure), though passage is uncertain—would lift duties and pressure margins into 2026. Reuters+1
- **Red Sea disruption: Eilat corridor** activity cratered (≈85–90% drop), with layoffs and temporary shutdowns—sustained shipping risk could keep import costs elevated. Reuters+2The Times of Israel+2
- **Sovereign credit & funding costs:** Moody's multi-step downgrades (A2 → **Baa1**) and negative outlooks at other agencies keep spreads wider; a fresh escalation could tighten external financing. Reuters+2Reuters+2
- **Policy frictions with key partners:** U.K. talks on a modernized FTA are paused; EU preferences at risk; U.S. policy conditionality remains a swing factor for defense and trade. AP News+1
- **Security shocks:** Pipeline/energy infrastructure, tourism and aviation are sensitive to cross-border strikes (e.g., Yemen/Houthi attacks). Reuters

Key opportunities (through 2026)

- **Energy scale-up:** Leviathan Phase-ups and the **Nitzana** pipe add capacity and multi-year cashflows; long-dated Egypt offtake anchors volumes. Reuters+2Reuters+2
- **India corridor:** The new **BIT** should catalyze project finance and JV manufacturing, especially in defense-adjacent, water-tech and agri-tech. Reuters

- **Gulf market access: UAE CEPA**'s deep tariff cuts are treaty-backed and ready to scale as sentiment improves; logistics-hub UAE can re-route trade as security normalizes. Ministry of Education
- **Tech & cloud multipliers: NVIDIA** expansion and **Google/AWS** regions underpin exportable services and AI/cloud adoption—high-productivity spillovers into 2026. ctech+1
- **Diaspora & institutional flows:** Continued **Israel Bonds** demand and philanthropic mobilization provide flexible, non-budgetary support during volatility. Israel Bonds+1

2. Trade & Market Access

2.1 U.S.–Israel FTA as the baseline for goods flows (scope, 2024 goods values)

The U.S.–Israel Free Trade Agreement (in force since 1985, America's first FTA) remains the core legal scaffold for bilateral goods trade and tariff preferences. In 2024, U.S. goods exports to Israel totaled **$14.8 B** and imports **$22.2 B** (total goods trade ≈ **$37.0 B**), per USTR; monthly detail is consistent with U.S. Census tabulations. The FTA continues to reduce barriers and promote regulatory transparency, anchoring market access even as political winds shift. United States Trade Representative+2United States Trade Representative+2

Implication: For supply chains serving Israel from the U.S., ILFTA locks in preferential tariff treatment and predictable customs procedures—critical for industrial inputs, medical devices, semiconductors, and ag/food categories. United States Trade Representative

2.2 UAE–Israel CEPA: tariff coverage, services access, early trade data

The UAE–Israel **Comprehensive Economic Partnership Agreement (CEPA)** is unusually deep: tariff elimination/ reductions cover **>96% of tariff lines** and roughly **99%** of the value of goods trade. The accord also opens a **broad services schedule** (business, communications, distribution, environmental, financial services, etc.), providing two-way market access beyond goods. UN Comtrade–based analysis estimates **~$6.4 B** in cumulative UAE–Israel goods trade during 2021–2024, with scope to scale as logistics normalize. Ministry of Education+2mfat.govt.nz+2

Implication: CEPA's legally bound tariff coverage plus services access makes the UAE a durable commercial bridge—even when new greenfield deals slow—supporting re-routing and aggregation via Gulf hubs. Ministry of Education

2.3 UK–Israel Trade & Partnership Agreement: continuity and current status

Post-Brexit, the **UK–Israel Trade & Partnership Agreement** remains **in force**, preserving continuity of preferential terms for goods and services. UK government factsheets report **£3.3 B** in UK exports to Israel (four quarters to Q1 2025) and **£2.5 B** in imports, underscoring ongoing flows. However, **talks to upgrade/modernize** the agreement were **paused on May 20, 2025**, introducing a near-term ceiling on preferential expansion. GOV.UK+2GOV.UK+2

Implication: Day-to-day preferences persist, but firms should not assume near-term deepening of rules-of-origin, digital, or services chapters until talks resume. Reuters

2.4 Outlook: where trade preferences could tighten or expand (EU, U.K., Asia)

- **EU (downside risk):** On **Sept 17, 2025**, the **European Commission proposed suspending Israel's trade preferences**, potentially affecting **≈€5.8 B** of exports and reimposing MFN duties (~€227 M/yr). Passage requires member-state backing and is **uncertain** (Germany/Italy hesitant), but the proposal itself marks the sharpest EU move yet. Firms should scenario-plan for tariff snap-back on EU lanes. Reuters+1
- **U.K. (status-quo bias):** Preferences under the existing TPA continue, but **upgrade talks are paused**; renewal would likely hinge on security/policy developments. Reuters
- **Asia (select upside):** The **Israel–South Korea FTA** (effective Dec 1, 2022) already provides broad duty-free coverage over time (>95% of lines), offering diversification in East Asia. Separately, the **India–Israel bilateral investment treaty** signed **Sept 8, 2025** de-risks **investment** rather than tariffs, but it should catalyze JV manufacturing and project finance that pull goods and services trade in its wake. Reuters+2KPMG Assets+2

Net take: Through 2026, the **base case** is intact U.S./UAE/UK preferences with an **EU overhang**; upside rests in Asia-driven diversification (Korea FTA utilization, India BIT-enabled projects) and any restart of UK modernization talks. United States Trade Representative+2Ministry of Education+2

3. Finance & Sovereign Funding

3.1 Israel Bonds: how the instrument works; post–Oct-2023 sales

What they are. "Israel Bonds" are **direct, general obligations of the State of Israel** marketed (mainly in North America) by Development Corporation for Israel. Prospectuses spell out series, maturities (1–15 years), denominations (from $36 for some savings bonds to $1m+ "Premium Jubilee"), fixed or compounding interest, and **restricted transferability** (most are buy-and-hold). Israel Bonds+1

Scale since Oct 7, 2023. DCI reports **$5.5 billion+ in global investments** since the war began—an unprecedented surge. In the U.S., **state and local treasuries** (red/blue alike) have collectively bought **~$1.7 billion** as a public show of support. Israel Bonds+1

Why it matters. Proceeds are flexible sovereign funding that **arrives outside public markets**, complementing Israel's regular local and international bond issuance. Israel Bonds

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3.2 Market signals: ratings actions, yields, and fiscal buffers

Ratings. Since 2024, all three major agencies have lowered Israel or kept **negative outlooks**:

- **Moody's:** cut to **Baa1** (two notches) with negative outlook. Moody's Ratings+1
- **S&P:** cut to **A** (Oct 2024), then **affirmed A/A-1 with Negative Outlook** (May 2025). S&P Global+1
- **Fitch: A / Negative Outlook** (affirmed Mar 31, 2025). Fitch Ratings

Funding access & pricing. Israel returned to global markets with two large dollar deals despite the downgrades: a **record $8 billion** multi-tranche sale in Mar 2024 (5.375% 2029; 5.50% 2034; 5.75% 2054) and **$5 billion** in Feb 2025 (5y/10y), with new-issue **spreads ~120–135 bps over USTs** on the 2025 tranches. Orderbooks were many times covered, indicating continuing access albeit at **higher risk premia**. Arnold & Porter+3White & Case+3Reuters+3

Fiscal buffers. The **Bank of Israel FX reserves** reached a **record ~$230.3 billion (Aug 2025)** (~41% of GDP)—a key liquidity backstop. Offsetting that strength, the **2024 deficit** widened to **~6.9% of GDP** with debt rising toward **~69% of GDP**, and authorities signal a still-elevated deficit in 2025. Bank of Israel+2Reuters+2

3.3 What would change investor behavior (policy, escalation, sanctions)

Tightening / downside catalysts

- **EU trade action** becomes real: if the European Commission's **proposal to suspend Israel's tariff preferences (~€5.8 billion of exports; ~€227 million duties/yr)** gains member-state approval, investors would likely price **slower growth + lower export margins**, widening spreads. Reuters
- **Security escalation** (e.g., sustained North front, major infrastructure hits) raises tail-risk of additional downgrades and **dearer external funding**. Agencies' **negative outlooks** explicitly flag this channel. Fitch Ratings+1

- **Fiscal slippage** beyond current plans (deficits persistently >5% of GDP or rapid debt ratio creep) would pressure ratings and primary-market pricing. Reuters

Easing / upside catalysts

- **Durable de-escalation/hostage-deal + governance clarity**: historically tightens Israel's spreads and would make follow-on issuance cheaper (the Feb 2025 deal already priced **tighter** than 2024). Reuters
- **Policy credibility & buffers**: adherence to a medium-term deficit path, protected central-bank independence, and **high FX reserves** reassure buyers and can anchor ratings. Bank of Israel
- **Diversification of market access**: continued success in **U.S. dollar benchmarks**, plus strong **retail/municipal Israel Bonds** flows, reduces rollover risk during headline shocks. Reuters+1

Bottom line. Through 2026, sovereign funding looks **available but costlier**. The balance between **EU trade decisions, security trajectory, and fiscal discipline** will determine whether spreads **normalize** toward pre-war levels—or **re-widen** on fresh shocks. Reuters+2Fitch Ratings+2

4. Energy Exports as a Cash-Flow Anchor

4.1 Gas to Egypt and Jordan: 2024 export growth and forward capacity

Israel's pipeline exports to **Egypt and Jordan** rose **≈13.4% in 2024**, with total exports reported at **~13.2 bcm** for the year—despite war-related disruptions. The structural driver is Egypt's role as the only regional **LNG export hub**, which Israel relies on to reach extra-regional buyers. Reuters+2S&P Global+2

Forward capacity tightens and loosens with field outages: the **Leviathan** and **Karish** shutdowns in June 2025 briefly halted exports, before a restart restored flows—illustrating the sensitivity of export cashflows to operational interruptions. Reuters

What to watch (capacity side): (i) Leviathan debottlenecking and Phase-1B expansion; (ii) line-pack and compression on existing routes to Egypt; (iii) Jordan offtake stability under the Israel–Jordan pipeline agreement. Reuters

4.2 The Leviathan–Egypt ~$35 billion agreement: volumes, timeline, contingencies

In **Aug 2025** the Leviathan partners signed Israel's **largest-ever gas export deal** with Egypt—**~$35 billion** total value through **2040**. Phase 1 starts **early 2026** at **~20 bcm** (after connecting

additional pipes); Phase 2 supplies the remaining **~110 bcm** once the **Leviathan expansion** and the new **Nitzana** cross-border pipeline are online. The deal is designed to underwrite Leviathan's capacity build-out and Egypt's LNG feedstock needs. Reuters

Contingencies / dependencies:

- Timely **FID and execution** on Leviathan Phase 1B (targeted by partners for late-2025) and associated subsea/processing upgrades. JPT
- Alignment of **export routes** (existing EMG/AGP links plus Nitzana) with Egypt's **LNG plant run-rates** amid domestic power demand swings. U.S. Energy Information Administration

4.3 Nitzana pipeline: capacity uplift and project milestones

The **Nitzana** onshore pipeline (Chevron + Israel Natural Gas Lines) adds **~600 mmcfd** (≈**17 mcm/d**, **~6 bcm/yr**) of **new capacity** from Israel to Egypt, lifting total Israel→Egypt export capacity to **>2.2 bcf/d** when commissioned. Current guidance places **mechanical completion around 2028**, with recent partner announcements and contracts moving into execution. Reuters+2The Times of Israel+2

Adjacent bottlenecks & complements:

- **EMG (Ashkelon–Arish)** reverse-flow line—~**6 bcm/yr** today, with a **+2 bcm** expansion discussed; the **AGP** can also reverse-flow via Jordan. These upgrades, together with Nitzana, form the backbone of medium-term capacity to Egypt. LNG Industry

4.4 Revenue sensitivity: price, security, and infrastructure risks

- **Price/indexation:** Export receipts hinge on contract indexation (often oil/LNG-linked) and **Egypt's LNG utilization**—weak global LNG prices or Egyptian domestic shortages that divert gas from LNG can trim realized margins and volumes. U.S. Energy Information Administration
- **Security/operational risk:** Short, sharp **field shutdowns** (e.g., June 2025) immediately curtail exports and royalties; prolonged northern or offshore escalations would raise counterparty risk and could delay expansion timelines. Reuters+1
- **Project delivery risk:** Leviathan **Phase-1B** and **Nitzana** are critical path items; slippage on subsea lines, compressors, or cross-border permits defers step-ups embedded in the **$35 billion** Egypt agreement. JPT+1
- **Route capacity dependence:** While Nitzana adds headroom, actual **throughput** depends on coordinated EMG/AGP upgrades and Egyptian midstream; delays there cap Israel's export monetization even if upstream is ready. LNG Industry

Bottom line: If the Leviathan expansion and Nitzana pipeline stay on schedule—and Egypt's LNG plants run at healthy utilization—**gas exports remain Israel's most reliable foreign-currency engine through 2026–2030**, with visible capacity-driven upside. The flip side is acute exposure to **security events** and **infrastructure timing**, both of which can interrupt cashflows on short notice.

5. Multinational Tech & FDI

5.1 NVIDIA: headcount, campus plan, supply-chain spillovers

NVIDIA's footprint in Israel has grown sharply since acquiring Mellanox (closed Apr 2020), with local staff now reported at **≈5,000** across multiple R&D sites (Yokne'am/Haifa, Tel Aviv, Jerusalem, etc.). NVIDIA Newsroom+1 In July 2025 the company solicited land for a **multibillion-dollar northern Israel campus** (RFI up to ~180,000 m²), signaling long-term expansion and thousands of additional jobs. Municipalities responded with competing bids. Reuters
Spillovers: the former Mellanox networking unit underpins NVIDIA's data-center stack; Israel-based teams also built **"Israel-1"**, the country's most powerful AI supercomputer, which anchors local partner ecosystems (academia, integrators, startups) and accelerates demand for optics, interconnects, cooling, and facility services. Reuters

So what? If the campus proceeds, expect more procurement from Israeli suppliers (EDA services, optics, RF, test), tighter ties with universities, and a deeper local talent market around accelerated computing.

5.2 Google Cloud (me-west1): macro impact estimates & public-sector digitization

Google opened its **Tel Aviv cloud region (me-west1)** in Oct 2022, providing low-latency access and data-residency options. Google Cloud A third-party assessment (Access Partnership) estimates the Israel region could add **~$7.6 B to GDP (2022–2030)** and support **~21,200 jobs in 2030** through productivity gains and induced investment. Access Partnership+1

On the demand side, **Project Nimbus**—Israel's national cloud program—formalized multi-year government adoption of public cloud (Google & AWS) for ministries and associated entities (phased migration, policy, and operations). This has catalyzed digital services and sovereign-cloud capacity, though it has also drawn labor and civil-society scrutiny. Reuters+1
Context: AWS launched its **Israel (Tel Aviv) region** in Aug 2023; Microsoft **Azure** brought its region online in late 2023—together, the "big-3" now provide hyperscale coverage that enterprises and the public sector can arbitrage for resilience and compliance. Amazon Web Services, Inc.+1

5.3 Broader MNC footprint (semis, cloud, cyber) & resilience patterns

Semiconductors. Intel's planned **$25 B** fab expansion at Kiryat Gat (with a **$3.2 B** Israeli grant, tax and procurement commitments) remains the largest single corporate investment announced in the country; operations are targeted later this decade. Reuters

Cloud & platforms. With **GCP/AWS/Azure regions** live, hyperscalers are embedding long-lived capex and vendor ecosystems (colocation, fiber, power, security), reinforcing digital-sovereignty use cases and exportable services. Google Cloud+2Amazon Web Services, Inc.+2

Big Tech R&D. Apple has expanded Israeli R&D (Herzliya/Haifa/Jerusalem), with **~2,000** employees reported in recent years; Meta's Israeli center is ~**1,000** staff and moving to a new Tel Aviv site. i24NEWS+2The Times of Israel+2

Resilience signals. Despite the war shock, **H1 2025 tech fundraising hit a three-year high ($9.3 B)** per Startup Nation Central data, and the Innovation Authority reports tech at **~20% of GDP** and **>50% of exports**—though hiring and new-startup formation are softer. The Times of Israel+1

5.4 What could shift boardroom risk calculus

Policy & sanctions exposure. A European Commission **proposal (Sept 17, 2025)** to suspend Israel's trade preferences (affecting **~€5.8 B** of exports; **~€227 M/yr** in duties) raises the tail-risk of **broader EU measures**. Even if passage is uncertain, many boards would model EU tariff snap-back and procurement constraints. Reuters

Security & operations. Red Sea shipping disruption cut **Eilat port activity by ~85–90%**, underscoring logistics fragility for hardware supply chains and staff mobility. Persistent cross-border attacks or large-scale call-ups can stress workforce availability (notably in high-tech). Reuters+1

Human-rights & brand risk. Cloud work for Israeli public entities is under unusual scrutiny: **Google** has faced internal protests and dismissals tied to Nimbus; **Microsoft** opened an **external review** into alleged Azure misuse. These episodes increase reputational and compliance risk for vendors and their partners. The Guardian+3Reuters+3The Guardian+3

Macro counterweights. Conversely, **very high FX reserves**, continued **market access**, and visible **energy-export growth** (covered in §4) help steady sovereign and corporate risk premiums—supporting long-horizon FDI decisions when governance and security trajectories improve. (See §§3–4.)

Board takeaway (2025–2026): The base case remains **"invest with guardrails"**—retain or grow Israeli R&D and cloud workloads while (i) adding redundancy in EU/US sites, (ii) tightening supply-chain and sanctions compliance, and (iii) stress-testing people ops for mobilization and travel constraints. Upside unlocks with durable de-escalation; downside centers on EU trade action or a major security shock. Reuters+1

6. India, Gulf, and Other Strategic Partners

6.1 India–Israel BIT (2025): protections, arbitration, sectors likely to benefit

What was signed (Sept 8, 2025). India and Israel concluded a **Bilateral Investment Agreement** that promises a *minimum standard of treatment*, **protection against expropriation**, **free transfers**, **compensation for losses**, and an **independent dispute-resolution mechanism via arbitration**—while preserving states' regulatory space. India's Finance Ministry also noted current bilateral investment at ~**$800M**. Press Information Bureau
Why it matters. Reuters reports Israel is the **first OECD country** to sign such an agreement with India under its updated approach—signaling de-risked capital flows in both directions. Reuters

Where the capital is likely to go.

- **Defense & dual-use tech:** India has been a top buyer of Israeli systems; cooperation has continued through recent shocks. Expect more **co-production/JVs** as BIT protections reduce policy and enforcement risk. Reuters
- **Food-water-agritech ("I2U2" corridor):** The U.S.–India–Israel–UAE *I2U2* framework backs **UAE-funded food parks in India using Israeli climate-smart agritech**, with India providing land and facilitation. The BIT should ease private financing around these projects. State Department+1
- **Water & irrigation tech:** Bilateral programs highlight **urban water, reuse, desalination and drip irrigation**—areas that attract project finance once legal risk drops. Indian Embassy Israel+1

6.2 UAE trade trajectory under CEPA; prospects with Bahrain/Morocco

UAE–Israel CEPA (in force): The agreement **covers >96% of tariff lines and ~99% of trade value**, and opens wide **services-market access** (business, communications, distribution, environmental, financial). Ministry of Education Empirically, UAE–Israel goods trade totaled **~$6.4B (2021–2024)** on UN Comtrade tallies; Israel-UAE trade grew **17% in 2023** and **+7% y/y in Q1-2024**, even as the war cooled broader business sentiment. ORF Middle East+1

Bahrain: Manama and Jerusalem **opened FTA talks in 2022**; the track remains modest versus the UAE corridor and has been sensitive to the Gaza war climate (diplomatic tempo has varied, though **Bahrain received Israel's new ambassador's credentials** in Aug 2025). Reuters+1

Morocco: Economic ties have expanded via sectoral and logistics deals (e.g., **maritime trade cooperation** approved for implementation in 2025). Israel's **recognition of Moroccan sovereignty in Western Sahara (2023)** helped unlock an upgrade in relations—yet public opposition in Morocco has created headwinds. Xinhua News+2Reuters+2

Takeaway: CEPA gives the UAE lane legal depth and scale **now**; Bahrain/Morocco offer **optionality** that is **politics-sensitive**.

6.3 Scenarios for Asia-focused diversification

A. "Korea + Vietnam utilization" (base case)

- **Korea–Israel FTA** (in force) eliminates tariffs on ~95% of lines over time—useful for electronics, autos parts, and med-device supply chains. rtais.wto.org+1
- **Vietnam–Israel FTA (VIFTA)** (**signed 2023; in force 2024**) enables Southeast Asia manufacturing footprints and Rules-of-Origin planning for re-exports. vietnamtradeportal.gov.vn
  Trigger: Trade teams deepen RoO planning and supplier localization; freight/insurance normalize.
  Risk: Geopolitical spillovers or EU tariff snap-backs dull margins on onward EU shipments.

B. "India corridor scale-up" (upside if policy tailwinds hold)

- **BIT** lowers legal risk for **JV plants, agrifood parks, water & renewables**, aligned with I2U2 initiatives and state-level partnerships. Press Information Bureau+1
  Trigger: State-level incentives in India + project finance (UAE/DFIs) close; predictable arbitration rules operationalized.
  Risk: Domestic-content rules, procurement frictions, or election-cycle pauses in either country.

C. "Gulf bridge + Asia gateways" (selective)

- **UAE hub** routes **Israel-origin inputs** into **Asian value chains** via CEPA logistics; Bahrain/Morocco deepen as political climate allows. Ministry of Education
  Trigger: Improved regional security + insurance rates; resumed corporate travel.

Risk: EU preference suspension or sanctions widen, forcing compliance-driven reroutes. Reuters+1

Board-level summary: Use **Korea/Vietnam FTAs** for immediate tariff relief, **India BIT** for protected capex in food-water-defense adjacencies, and the **UAE CEPA** for scale and re-export optionality—while treating **Bahrain/Morocco** as medium-term upside contingent on politics and public sentiment. rtais.wto.org+2vietnamtradeportal.gov.vn+2

7. Diaspora Philanthropy & Tourism Spillovers

7.1 JFNA emergency funding: scale, allocation channels, macro–micro transmission

Scale. Since Oct 7, 2023, Jewish Federations of North America (JFNA) have raised on the order of **$870–900M** for Israel relief. JFNA's own running tallies and community updates show **$867M** (allocations **$722M**) by Feb 2025; JFNA's "Rebuild Israel" page cites **$873M**; Religion News Service reported **$897M** raised by June 24, 2025. Jewish Boca+2The Jewish Federations of North America+2

Allocation channels. Funds flow through a mix of **core partners** (Jewish Agency for Israel, JDC, World ORT), Israeli NGOs (e.g., **Magen David Adom**, **Israel Trauma Coalition**, **United Hatzalah**), municipal grants, and targeted initiatives. Early allocation snapshots list >100 grantees and specific line items (e.g., trauma/mental-health services, evacuee support, medical gear). The Jewish Federations of North America+1

SME liquidity via blended finance. In March 2024 JFNA launched the **Israel Emergency Loan Fund** to channel **concessionary capital** into vetted loan platforms (e.g., **Ogen**, **Koret Israel Economic Development Fund**, **Bizi**, **Daroma Tzafona**, **SparkIL**). The model lowers interest rates, shares default risk, and leverages bank co-lending—translating philanthropy into **working capital for small businesses**. Parallel vehicles (e.g., **Catalytic Capital for Israel**) pool Donor-Advised Funds for the same purpose. The Jewish Federations of North America+2JewishColumbus+2

Macro–micro transmission. Grants and loans push through to household services (clinics, shelters, schools), keep **SME payrolls** intact, and stabilize local tax bases. The same infrastructure has proven responsive to new shocks (e.g., **$10M** rapid allocations after Iran's missile attacks in June 2025). The Jewish Federations of North America

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7.2 Tourism recovery signals (e.g., Birthright) and services SMEs

Arrivals trend. After a collapse in late 2023, **visitor arrivals** in Israel showed tentative improvement in 2025: **~102k** visitors in **March 2025** (vs **~207k** Q1-2024 total), and a **+16.7% y/y** increase in **Jan–Jun 2025** as airlines restored capacity. Absolute levels remain far below 2019–2023 norms, underscoring a **slow recovery**. itn.co.il+1

Birthright as a lead indicator. Birthright Israel resumed large-scale programs in summer **2025** after emergency evacuations in June; organizers projected **>30,000** participants across 2025 (≈+60% vs 2024). Program restarts bring **immediate spend** to airlines, hotels, guides, buses, museums, and small vendors—an outsized boost for **services SMEs** concentrated in Jerusalem, Tel Aviv, and the north. JNS.org+2The Washington Post+2

Read-through. Tourism's labor intensity means even partial rebounds ripple quickly through hospitality and retail employment. Watch monthly **CBS arrivals**, **hotel occupancy**, and **airline seat maps** for momentum; a durable uptrend would amplify the impact of diaspora funding on local service economies. itn.co.il

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7.3 Coordination gaps between public, private, and philanthropic capital

Fragmentation & transparency. Dozens of funds and campaigns (federal, municipal, philanthropic, bank-linked) moved money fast—but **data is scattered** across press notes and PDFs, with limited **standardized outcome reporting** by sector/region. That complicates targeting and can yield overlap (e.g., multiple micro-grant channels in the same locality). Jewish Federation Bay Area+1

Blended-finance handoffs. Loan funds (JFNA Emergency Loan Fund; **CCI**) are designed to crowd-in banks, yet **credit-risk sharing and pipeline visibility** are uneven across platforms. A simple, shared **deal registry** for SME loans (anonymized) would help lenders avoid duplication and steer capital to underserved sectors/regions. The Jewish Federations of North America+1

Public-procurement linkage. Many diaspora grants fund **operating costs** (clinicians, shelters, evacuee housing) without a clean handoff into **long-term government budgets** or performance-based contracts. The result: cliff-edge risks when philanthropy tapers. Publishing rolling **12–24-month runway maps** by ministry/municipality would let donors bridge to durable public financing. Jewish Federation of Greater Washington

Tourism–SME coupling. Tourism recovery is **volatile**; small operators struggle to insure against cancellations/closures tied to security events. Public tools (e.g., state-backed **business-interruption guarantees** for accredited tour SMEs) matched with **philanthropic first-loss** could

stabilize bookings and payrolls through shocks—multiplying the effect of both donor dollars and public grants. (Signals: CBS arrivals; airline schedules.) itn.co.il

Practical next steps (low lift).

- Convene a **quarterly donor–bank–ministry "steerco"** to align target sectors and publish a one-page **capital map** (grants, guarantees, loans).
- Stand up a **public dashboard** (CSV/JSON) for SME loans and social-service grants by district, with KPIs (jobs retained, survival rate at 12 months).
- Pre-agree **surge protocols** (e.g., if arrivals drop >30% m/m, automatically extend grace periods on SME loans funded by diaspora capital).

These fixes convert goodwill into **compounded impact**, ensuring diaspora dollars, private credit, and public budgets **pull in the same direction**.

8. Stress-Tests & Scenarios (2025–2026)

Below are three actionable scenarios you can plan against. Each pairs plausible macro effects with concrete "watch items" so you can update your view in real time.

8.1 Status-quo drag (ongoing conflict; selective sanctions)

Storyline. Hostilities and cross-border flare-ups continue; no broad U.S. sanctions; the EU debate remains noisy but inconclusive; shipping risk persists in the Red Sea. Markets price Israel as **fundable but costlier**; growth is uneven with energy a bright spot and tourism slow to recover. Ratings stay at **Baa1/A/ A (neg.)**, and issuance proceeds with moderate concessions (e.g., Israel's **$5B** Feb-2025 deal at **+120–135 bps** over USTs, tighter than Mar-2024). Reuters+2Reuters+2

Operational frictions.

- **Logistics:** Eilat remains impaired (≈**85–90%** activity loss since Red Sea attacks), keeping import costs elevated on some lanes. Reuters+1
- **Energy cash-flows:** Gas exports to **Egypt/Jordan** continue after June-2025 shutdowns passed; volumes benefit from incremental debottlenecking. Reuters+1
- **Buffers: FX reserves** sit at a record **$230.3B** (~41% of GDP), supporting confidence in external obligations. Bank of Israel

What to watch.
EU Council temperature on trade preferences; **Eilat throughput** and insurance premia; **Leviathan/Karish uptime**; sovereign/bank **spread moves** vs. Feb-2025 benchmarks; **tourism arrivals** trend from CBS. Reuters+2Reuters+2

8.2 EU-led squeeze (tariff preferences suspended; follow-on measures)

Trigger. The **European Commission proposal** to **suspend Israel's tariff preferences** clears the Council. Immediate effect: MFN duties return on ~**€5.8B** of exposed exports (≈**€227M/yr** duties), with potential add-ons (public procurement/IP clauses). Political path is uncertain, but if adopted this is the sharpest trade step to date. Reuters+1

Likely impacts.

- **Trade margins:** Duty snap-back hits EU-bound industrials, agri-food, and select chemicals; some pass-through to prices, some margin compression; **rules-of-origin** audits tighten. Reuters
- **Spreads/ratings:** Growth and fiscal expectations soften; agencies already on **negative outlook** could re-widen spread premia. Reuters
- **Corporate stance:** EU-exposed boards increase **supply-chain reroutes** (via UAE hubs/Korea VFTA) and defer new EU-facing capex until policy clarity. Reuters

Escalation ladders.

- Council pairs tariffs with **targeted listings** (ministers/settlers) and procurement limits; additional national measures emerge in a few member states. Reuters

What to watch.
Council vote counts and German/Italian positions; Commission guidance on scope/timing; **export mix** into the EU; financing costs in next **global bond** tap. Reuters

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8.3 De-escalation rebound (durable ceasefire/hostage deal; investment unlock)

Trigger. A sustained **ceasefire/hostage package** lowers security risk; cabinet/military articulate a credible medium-term track. The market echoes Feb-2025 dynamics—**tighter pricing** on new sovereign deals vs. 2024, stronger orderbooks, and a partial **tourism rebound** from a very low base. Reuters

Upside vectors.

- **Energy:** The **Leviathan–Egypt** contract (**~$35B** to 2040) gets de-risked; **Phase-ups** advance on schedule; **Nitzana** construction stays on track (≈**600 mmcfd**; total >**2.2 bcf/d** to Egypt after ~3 years). Reuters+2Reuters+2
- **FDI/Tech: NVIDIA's** campus decision lands; hyperscaler adoption accelerates public-sector digitization. Reuters
- **Tourism:** Arrivals trend up as airlines restore capacity (CBS/industry prints show **+16–17% y/y** in H1-2025 from a low base). TravelPulse

What to watch.
Formal **ceasefire milestones**; **Leviathan FID** and procurement packages; **Nitzana** EPC progress; airline **seat maps**; sovereign **spread compression** vs. Mar-2024/Feb-2025 levels. Reuters+2Reuters+2

Cross-scenario indicator dashboard (how to instrument your view)

- **EU Council decisions:** Track whether the Commission's **preference suspension** proposal garners enough support; scope of any **sanction listings**. (If adopted → shift from §8.1 to §8.2.) Reuters+1
- **U.S. conditionality:** Monitor congressional/administration signals on defense aid and export controls; changes here can alter spreads quickly (pair with issuance windows noted above). Reuters
- **Port/pipeline throughput:** Monthly **Eilat** activity; **Leviathan/Karish** uptime; **Nitzana** milestones and Egypt LNG plant utilization. (Throughput up → supports §8.3; outages → §8.1/§8.2 drag.) Reuters+2Reuters+2
- **FDI pipeline: NVIDIA campus** siting; hyperscaler capex and Nimbus workstreams; any large-cap fab decisions (Intel newsflow). Reuters+1
- **Bonds/ratings:** Next **global issuance** pricing vs. **Mar-2024** and **Feb-2025** comps; agency outlook changes (Moody's/S&P/Fitch). Reuters+2Reuters+2

Bottom line. The **base case** is §8.1: growth drag but no systemic funding break. **Left-tail** risk materializes if the EU forces §8.2; **right-tail** rebound requires the ceasefire path in §8.3. Keep a live sheet of the indicators above to switch posture as facts change.

9. Policy & Messaging Playbook (for all audiences)

9.1 For policymakers: secure energy, keep trade lanes open, safeguard tech talent

- **Lock in energy cash-flows.** Treat Leviathan expansion + the Egypt offtake as national "income infrastructure." Fast-track permits and inter-ministerial coordination; keep Nitzana's timeline visible (milestones, slippage alerts). Create contingency routing (EMG/AGP compression upgrades) to protect throughput if one corridor goes down. Reuters+1
- **Keep trade preferences alive.** Prioritize diplomacy with Brussels, Berlin, Rome on the Commission's suspension proposal; prepare a narrow, verifiable compliance plan to address EU concerns and reduce the odds of a blanket preference freeze. In parallel, map MFN duty impacts by HS line so you can pre-authorize targeted rebates if the EU measure lands. Reuters+1
- **Red Sea logistics mitigation.** Use temporary fee waivers and selective subsidies for carriers calling at Eilat; pre-arrange roll-on/roll-off capacity via Mediterranean ports to absorb spillovers during Red Sea spikes. Publish a monthly Eilat throughput bulletin. Reuters+1
- **Protect the tech engine.** Maintain expedited mobilization waivers for critical R&D roles; keep visa/work-permit fast lanes for foreign specialists tied to hyperscaler, semis, and AI programs. Pair grants with talent-retention covenants rather than headcount minima during conflict quarters.
- **India & Gulf corridors.** Operationalize the India BIT quickly (model contracts, model arbitration clauses) and set a "Top-10 projects" list (water, agrifood, defense adjacencies). Under CEPA with the UAE, expand mutual recognition for testing/standards to lower non-tariff frictions. European Commission

9.2 For investors & corporates: compliance, supply-chain risk, community license to operate

- **Compliance first.** Maintain an EU-ready posture: screen counterparties and end-uses; pre-draft tariff-snapback playbooks (pricing, customer communication) in case preferences are suspended. (If the suspension stalls at Council, stand down; if it passes, pivot in 48h.) Reuters
- **Dual-site resilience.** For hardware supply chains, build "EU+1 / IL+1" configurations (one EU site, one Israel site) and lock optional capacity with UAE logistics partners for re-routing. For cloud workloads, keep multi-region (GCP/AWS/Azure) fallbacks active.

- **People ops under stress.** Model scenarios where 5–10% of key staff are unavailable for 4–8 weeks (mobilization, travel constraints); cross-train, and maintain external benches (contractors, near-shore).
- **Community license.** Tie local grants or matching programs to SME survival and workforce retention (tourism, hospitality, peripheral towns). Publicly report outcomes (jobs retained, hours paid) rather than just shekel amounts.
- **Investor messaging.** Emphasize guardrails: (i) sanctions compliance; (ii) redundancy in logistics and cloud; (iii) measurable local impact via SMEs and training pipelines.

9.3 For civil society & diaspora: where dollars have the highest multiplier

- **Blend grants with loans.** Keep seeding emergency loans (Ogen/KIEDF/SparkIL, etc.) so philanthropy crowds-in bank credit and stretches runway for SMEs. Favor first-loss or guarantee layers that 5–10× private lending into affected regions/sectors. The Jewish Federations of North America
- **Target services with fiscal handoffs.** Fund programs with a clear runway to public budgets (trauma care, shelters, school continuity). Require ministries/municipalities to publish 12–24-month "pickup plans" to avoid cliff-edges.
- **Tourism multipliers.** Support early-return segments with high local spend (students, faith groups, conferences). Where feasible, underwrite **business-interruption insurance** for accredited tour SMEs so bookings survive security spikes.
- **Communicate impact simply.** Lead with households and jobs saved; pair one family/one shop story with two numbers (grants disbursed; loan survival rate).
- **Anchor in facts.** When asked "does this scale," cite verifiable aggregates: **JFNA≈$897M** raised (as of Jun 2025) and sustained **state/municipal Israel Bonds ≈$1.7B**—then show how your program complements rather than duplicates those flows. RNS+1

9.4 Measurement: dashboards and public reporting

Stand up a lightweight, public **"Support Flows Dashboard"** that updates monthly. One CSV per tab, plus a web view:

- **Energy throughput**: date, Leviathan/Karish uptime (%), exports to Egypt/Jordan (mcm/d), Egypt LNG utilization (%), Nitzana milestone (text). *Sources*: operator updates, Reuters, ministry notes. Reuters+1
- **Trade lanes**: Eilat total tonnage (m/m, y/y), rerouted TEUs via Haifa/Ashdod, average war-risk premium (% of freight). *Sources*: port authorities, Reuters. Reuters

- **Finance**: sovereign issuance (date, size, spread vs UST), agency actions (rating/outlook), cumulative Israel Bonds sales YTD. *Sources*: agency releases, MOF/DCI.
- **FDI/Tech**: announced capex (NIS/$), headcount pledges, campus/site milestones (e.g., NVIDIA land award). *Sources*: company RNS, credible press.
- **Philanthropy & SME**: grants by district (₪), SME loans (count, ₪, sector), jobs retained (12-mo survival), % women-/periphery-owned. *Sources*: JFNA/partners. RNS
- **Tourism**: monthly arrivals, hotel occupancy, airline seat capacity vs 2019 baseline. *Sources*: CBS, carriers.

Reporting norms

- Open data (CSV/JSON), **stable schemas**, and monthly snapshot archives.
- **Lag explanations**: note when indicators are preliminary vs. revised.
- **Attribution**: distinguish what public policy did (tariff outcome, port incentives) vs. what private/philanthropic money did (loans, grants).
- **Scenario tags**: annotate each month as tracking closest to §8.1, §8.2, or §8.3 so stakeholders can see the economy's "scenario drift" at a glance.

Message discipline across audiences

- **Security-credible + fact-first**: lead with energy/trade stats and concrete mitigations (pipelines, port measures), not abstractions.
- **Shared upside**: frame asks as protecting *everyone's* interests—stable incomes, predictable logistics, investable rules—rather than zero-sum claims.
- **Actionable verbs**: "approve," "publish," "fund," "staff," "insure," "report."
- **Consistency**: use the same KPIs in policy memos, investor decks, donor newsletters, and press.

These steps keep coalitions aligned on *how* support flows, *where* it lands, and *what* to fix next—while preserving agility if the EU path hardens or de-escalation opens the door to a faster rebound.

10. Conclusion

What sustains the supports; what could snap them

What sustains them. The pillars holding up Israel's economy are **structural** rather than episodic: treaty-based market access (U.S. FTA; UAE CEPA; U.K. TPA), **multi-year energy offtake** anchored by Leviathan→Egypt, a deep **multinational tech footprint** (hyperscale cloud, semis, AI R&D), and **diaspora finance/philanthropy** that can move quickly when markets stumble. Two macro buffers reinforce this architecture: (i) **continued access to global bond markets** (albeit at higher premia), and (ii) **large FX reserves** that smooth external shocks. Put together, these features explain why funding remains available and why growth hasn't collapsed outright even under severe stress.

What could snap them. The same system is **brittle at a few load-bearing nodes**. A formal **EU preference suspension** (and any follow-on procurement limits) would compress margins on EU lanes and chill EU-facing capex. A **security shock** that disables offshore production, cross-border pipelines, or major logistics corridors would punch directly through the energy-cashflow anchor and tourism recovery. **Policy slippage**—persistent high deficits without a credible glidepath—would widen spreads and provoke fresh rating pressure. And a **brand/compliance cascade** (rights-linked procurement bans, internal tech-worker revolts, or ESG screens) could force boardrooms to defer or downsize Israeli projects even absent formal sanctions. Any two of these moving together—**trade + security**, or **governance + brand risk**—would shift the outlook from "drag" to "squeeze."

Practical next steps for coalition-building across sectors

To keep the upside alive and contain left-tail risks, stakeholders should act in concert. The through-line is **shared measurement, pre-agreed triggers, and complementary capital**.

1) Stand up a cross-sector "Support Steering Group" (30-60 days).
Include Finance/Energy/Foreign ministries, port and pipeline operators, two hyperscalers + two semiconductor leads, top banks, JFNA/major federations, and SME-loan platforms. Give it a concise charter: *protect energy throughput; keep trade lanes functioning; retain critical tech talent; target high-multiplier social spend.*

2) Publish a single monthly "Support Flows Dashboard."
One page + CSV/JSON: energy throughput, port activity, sovereign spreads/ratings, FDI announcements, Israel Bonds flows, SME loans/jobs retained, tourism arrivals. Tag each month to scenario **§8.1/§8.2/§8.3** so everyone sees the economy's "scenario drift" at a glance.

3) Pre-agree policy/finance triggers ("if X then Y").

- **If EU preferences are suspended:** auto-deploy targeted tariff rebates for hardest-hit HS lines; accelerate CEPA utilization via UAE hubs; fast-track Korea/Vietnam RoO planning.
- **If pipeline/field downtime >14 days:** release a public contingency plan (EMG/AGP compression, alternative routings) and activate diaspora-backed bridge facilities for affected municipalities/SMEs.
- **If spreads widen >50 bps from the last sovereign issue:** schedule an investor call with agencies and operators; publish a fiscal glidepath update.

4) Build a risk-adjusted capital stack for SMEs and infrastructure.
Blend **first-loss/guarantee** layers from philanthropy with bank credit for SME survival; pair **public capex** (Nitzana, port upgrades) with **private offtake** and **multilateral insurance** (where available) to derisk timelines.

5) Protect the tech engine with people-ops realism.
Maintain **mobilization waivers** for defined R&D roles; keep **multi-region cloud** fallbacks live; expand **university pipelines** and re-skilling programs tied to employer commitments. Require any grant recipient to file a **talent-retention plan** rather than raw headcount targets during conflict quarters.

6) Align message discipline to audience.

- **Policymakers:** lead with throughput, spreads, and treaty mechanics; ask for specific approvals (permits, fee waivers, standards recognition).
- **Investors & corporates:** emphasize compliance guardrails, dual-site logistics, and KPI-tied community programs; show how EU-risk and people-risk are being hedged.
- **Civil society & diaspora:** quantify multipliers (loans crowded-in, jobs retained) and show **hand-offs to public budgets** to avoid cliff-edges.

7) Keep a short list of "no-regrets" projects.
Regardless of scenario, certain moves pay: EMG/AGP compression upgrades; customs simplifications with UAE/UK; SME credit guarantees in tourism belts; transparent Leviathan/Nitzana milestone reporting; and a standing investor-relations cadence around sovereign issuance windows.

Bottom line. The supports are real because they are **contracted, capitalized, and measured**. They will hold if partners keep **facts on the table**, act on **pre-agreed triggers**, and deploy **the right dollar to the right bottleneck at the right time**. They will fail if stakeholders talk past one another, hide data, or let small frictions compound into systemic breaks. The playbook above is

designed to keep coalitions rowing in the same direction—so that, as risks evolve, the economy bends but does not break.

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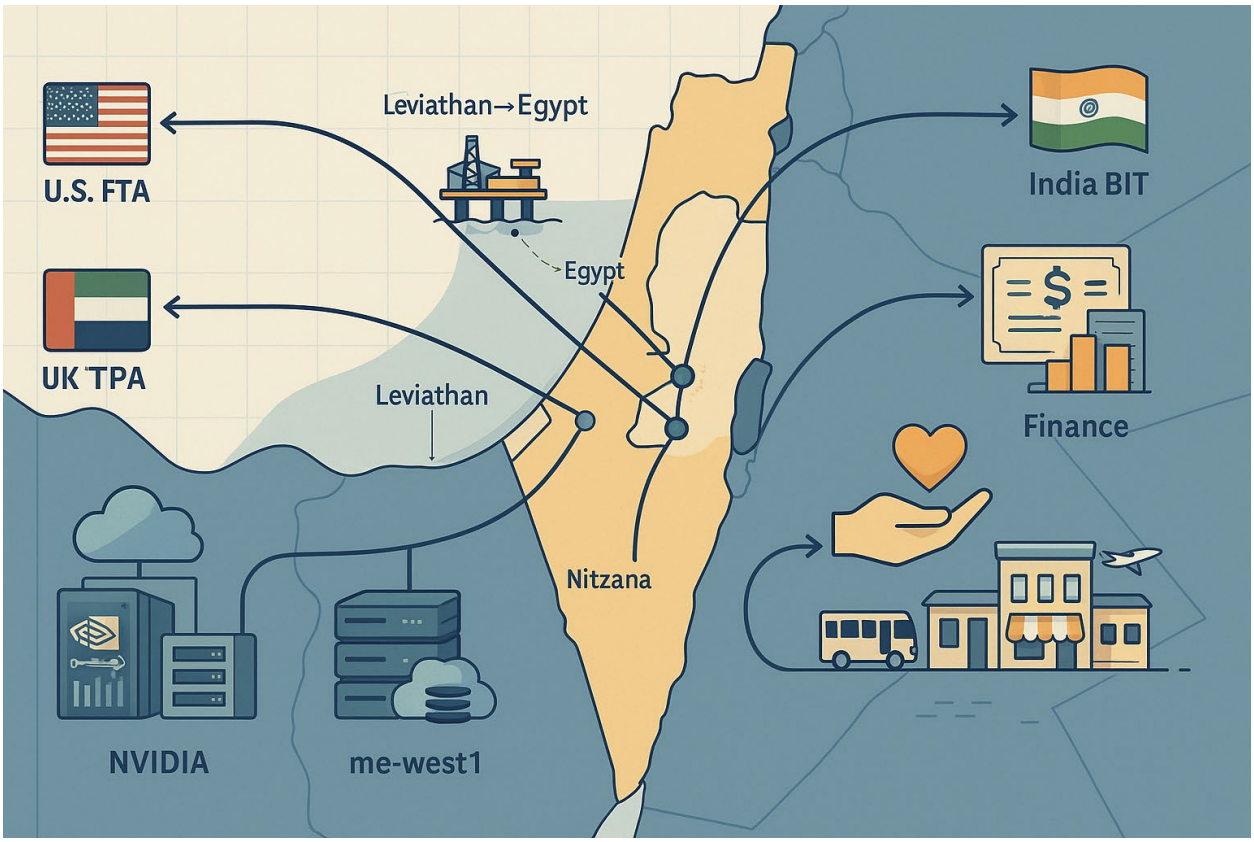
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